

MORMON TRAIL COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2007

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MORMON TRAIL COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2006 Election)

Jan Lundahl	President	2006
Debbie Bremer	Board Member	2007
Randy Smith	Board Member	2007
Pat Evans	Board Member	2008
Michiko Fogle	Board Member	2008

Board of Education

(After September 2006 Election)

Jan Lundahl	President	2009
Debbie Bremer	Board Member	2007
Randy Smith	Board Member	2007
Pat Evans	Board Member	2008
Michiko Fogle	Board Member	2008

School Officials

Robert McCurdy	Superintendent	2007
Linda Lovett	District Secretary/Treasurer and Business Manager	2007

STEPHANIE MENDENHALL CPA, P.C.
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641/877-6021

Independent Auditor's Report

To the Board of Education of
Mormon Trail Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District, Humeston, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated September 20, 2007 on my consideration of Mormon Trail Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 8 and 30 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Mormon Trail Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 20, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mormon Trail Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,714,442 in fiscal 2006 to \$2,721,064 in fiscal 2007, while General Fund expenditures increased from \$2,809,740 in fiscal 2006 to \$2,962,354 in fiscal 2007. The District's General Fund balance decreased from \$634,701 in fiscal 2006 to \$393,411 in fiscal 2007, a 38% decrease.
- The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased was the District negotiated an increase in salaries and benefits for fiscal 2007 while the District was experiencing no growth in General Fund revenue. As a result, the District funded a portion of these expenditures from the carryover fund balance.
- An increase in interest rates during the past year resulted in interest earnings in the General Fund alone increasing from \$31,552 in fiscal 2006 to \$33,792 in fiscal 2007. This is still far less than the interest earned in 2001 of \$49,280.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mormon Trail Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mormon Trail Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Mormon Trail Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-1
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$ 2,234	2,331	55	67	2,289	2,398	-4.55%
Capital assets	2,074	2,129	36	46	2,110	2,175	-2.99%
Total assets	4,308	4,460	91	113	4,399	4,573	-3.80%
Long-term liabilities	775	890	-	-	775	890	-12.92%
Other liabilities	1,279	1,264	1	3	1,280	1,267	1.03%
Total liabilities	2,054	2,154	1	3	2,055	2,157	-4.73%
Net assets:							
Invested in capital assets, net of related debt	1,177	1,122	36	46	1,213	1,168	3.85%
Restricted	648	549	-	-	648	549	18.03%
Unrestricted	429	635	54	64	483	699	-34.90%
Total net assets	\$ 2,254	2,306	90	110	2,344	2,416	-2.98%

The District's combined net assets decreased by nearly 3% or approximately \$72,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$99,000 over the prior year. The increase was primarily a result of increased revenue in the Local Option Sales Tax.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$216,000.

Figure A-2 shows the change in net assets for the year ended June 30, 2007.

Figure A-2
Changes in Net Assets
(Expressed in Thousands)

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2007	2006	2007	2006	2007	2006	2006-2007
Revenues:							
Program revenues:							
Charges for service	\$ 176	204	44	50	220	254	-13.39%
Operating grants, contributions and restricted interest	346	355	85	86	431	441	-2.27%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	
General revenues:							
Property tax	919	979	-	-	919	979	-6.13%
Income surtax	109	130	-	-	109	130	-16.15%
Local option sales and service tax	165	133	-	-	165	133	24.06%
Unrestricted intermediate grants	-	-	-	-	-	-	
Unrestricted state grants	1,446	1,326	-	-	1,446	1,326	9.05%
Unrestricted investment earnings	61	33	2	2	63	35	80.00%
Other	2	1	-	-	2	1	100.00%
Total revenues	3,224	3,161	131	138	3,355	3,299	16.98%
Program expenses:							
Governmental activities:							
Instruction	1,893	1,878	-	-	1,893	1,878	0.80%
Support services	1,243	1,027	-	-	1,243	1,027	21.03%
Non-instructional programs	-	-	-	-	-	-	-
Other expenses	140	141	150	138	290	279	3.94%
Total expenses	3,276	3,046	150	138	3,426	3,184	7.60%
Change in net assets	\$ (52)	115	(19)	-	(71)	115	-161.74%

Property tax and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 96% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,224,143 and expenses were \$3,276,167. The District was unable to balance the budget because of increased expenditures in instruction and support services and in facility maintenance.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	Change			Change		
	2007	2006	2006-2007	2007	2006	2006-2007
Instruction	\$ 1,893	1,878	0.80%	\$ 1,511	1,526	-0.98%
Support services	1,243	1,027	21.03%	1,200	929	29.17%
Non-instruction	-	-	-	-	-	-
Other expenses	140	141	-0.71	43	32	34.38%
Total	\$ 3,276	3,046	7.55%	\$ 2,754	2,487	10.74%

- The cost financed by users of the District's programs was \$176,031
- Federal and state governments subsidized certain programs with grants and contributions totaling \$345,524.
- The net cost of governmental activities was financed with \$1,193,089 in property and other taxes and \$1,446,137 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$131,472 and expenses were \$150,653. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2007, the District maintained meal prices. There was a decline in the number of students qualifying for free and reduced priced meals.

INDIVIDUAL FUND ANALYSIS

As previously noted, Mormon Trail Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,076,855, below last year's ending fund balances of \$1,183,838. The primary reasons for the decrease in combined fund balance is due to additional expenditures in the General Fund and Physical Plant and Equipment Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. There was very little growth in revenues. An increase in salaries and benefits for fiscal 2007 and increased operating costs resulted in expenditures exceeding revenues by approximately \$241,000.
- The Physical Plant and Equipment Levy (PEL) Fund balance increased from \$240,560 in fiscal 2006 to \$247,887 in fiscal 2007 even with increased expenditure of approximately \$102,000 for fiscal year 2007.
- The Capital Projects Fund balance increased from \$255,652 in fiscal 2006 to \$354,958 in fiscal 2007 even after \$66,000 was transferred to Debt Service for bond repayments. There was increased collection of SILO tax.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$109,713 at June 30, 2006 to \$90,532 at June 30, 2007. Fewer students participated in the free and reduced price meal program and also operating costs increased.

BUDGETARY HIGHLIGHTS

The District's receipts were \$18,930 more than budgeted receipts. The most significant variance resulted from the District receiving more in income surtaxes and interest earnings than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice the certified budget was exceeded in the support services functional area even after the certified budget was amended.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$2,110 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 2.99% from last year. More detailed information about the District's capital assets presented in Note 3 to the financial statements. Depreciation expense for the year was \$106,327.

The original cost of the District's capital assets was \$3.726 million. Governmental funds account for \$3.587 million, with the remainder of \$.139 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$ 16	16	-	-	16	16	-
Buildings	1,943	1,998	-	-	1,943	1,998	-2.75
Furniture and equipment	115	115	36	46	151	161	-6.21
Total	\$ 2,074	2,129	36	46	2,110	2,175	-2.99

Long-Term Debt

At June 30, 2007, the District had \$890,000 in general obligation debt outstanding. This represents a decrease of approximately 11% from last year.

Figure A-5
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
General obligation bonds	\$ 890,000	1,000,000	-11.00

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment. The District expects a decline in attending students for fiscal year 2008 with the decline primarily in secondary students. The District expects that the number of open-enrolled out students to increase resulting in more tuition being paid for fiscal year 2008.
- The negotiated settlement with the Mormon Trail Education Teacher's Association for fiscal year 2008 exceeds the increase in state aid. The District will be required to use carryover fund balance to meet the obligation. Staff reductions have been made for fiscal year 2008 in an attempt to balance the budget.
- Administration costs will increase due to a change in superintendents. In prior year the superintendent was a shared position with other districts. For fiscal year 2008 the superintendent is an employee of the district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Lovett, District Secretary/Treasurer and Business Manager, Mormon Trail Community School District, Humeston, Iowa 50123.

Basic Financial Statements

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,032,858	\$ 50,733	\$ 1,083,591
Receivables:			
Property tax:			
Delinquent	18,841	-	18,841
Succeeding year	963,987	-	963,987
Income surtax succeeding year	96,600	-	96,600
Due from other governments	49,653	-	49,653
Accounts	68,551	-	68,551
Due from other funds	3,570	-	3,570
Inventories	-	4,271	4,271
Capital assets, net of accumulated depreciation (note 3)	2,073,507	36,352	2,109,859
Total assets	4,307,567	91,356	4,398,923
Liabilities			
Excess of warrants over bank balance	-	-	-
Accounts payable	87,567	-	87,567
Salaries and benefits payable	-	-	-
Other liabilities	-	-	1,411
Due to other funds	3,570	-	4,285
Accrued interest payable	6,522	-	6,522
Deferred revenue:			
Succeeding year property tax	963,987	-	963,987
Succeeding year income surtax	96,600	-	96,600
Other	5,481	824	17,838
Long-term liabilities (note 4):			
Portion due within one year:			
Bonds payable	115,000	-	115,000
Portion due after one year:			
Bonds payable	775,000	-	775,000
Total liabilities	2,053,727	824	2,054,551
Net assets			
Invested in capital assets, net of related debt	1,176,985	36,352	1,213,337
Restricted for:			
Management levy	22,220		22,220
Debt service	12,068		12,068
Physical plant and equipment levy	247,887	-	247,887
Other special revenue purposes	365,485	-	365,485
Unrestricted	429,195	54,180	483,375
Total net assets	2,253,840	90,532	2,344,372

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,128,644	\$ 44,471	\$ 249,110	\$ -
Special instruction	439,395	25,205		-
Other instruction	325,330	63,579	-	-
	1,893,369	133,255	249,110	-
Support Service:				
Student services	143,886	42,776		-
Instructional staff services	164,459		-	-
Administration services	287,597	-	-	-
Operating and maintenance of plant services	406,790		-	-
Transportation services	240,534			-
	1,243,266	42,776	-	-
Non-instructional programs				
	-	-	-	-
Other expenditures:				
Facilities acquisition	-	-		-
Long-term debt interest	43,118	-	-	-
AEA flowthrough	96,414	-	96,414	-
	139,532	-	96,414	-
Total governmental activities				
	3,276,167	176,031	345,524	-
Business type activities:				
Non-instructional programs:				
Nutrition services	150,653	43,621	85,264	-
	150,653	43,621	85,264	-
Total primary government	3,426,820	219,652	430,788	-

Net (Expense) Revenue and Changes in Net Assets		
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Governmental Activities	Business type Activities	Total
\$ (835,063)	\$ -	\$ (835,063)
(414,190)	-	(414,190)
(261,751)	-	(261,751)
(1,511,004)	-	(1,511,004)
(101,110)	-	(101,110)
(164,459)	-	(164,459)
(287,597)	-	(287,597)
(406,790)	-	(406,790)
(240,534)	-	(240,534)
(1,200,490)	-	(1,200,490)
-	-	-
-	-	-
(43,118)	-	(43,118)
-	-	-
(43,118)	-	(43,118)
(2,754,612)	-	(2,754,612)
-	(21,768)	(21,768)
-	(21,768)	(21,768)
(2,754,612)	(21,768)	(2,776,380)

Continued from previous page

General Revenues:

Totals from pages 11 and 12	\$	3,426,820	\$	219,652	\$	430,788
Property tax levied for:						
General purposes						
Debt service						
Capital outlay						
Income surtax						
Local option sales and services tax						
Unrestricted intermediate grants						
Unrestricted state grants						
Unrestricted investment earnings						
Other						
Insurnace claims						
 Total general revenues						
 Change in net assets						
 Net assets beginning of year						
 Net assets end of year						

See notes to financial statements.

<u>\$</u>	-	\$	(2,754,612)	\$	(21,768)	\$	(2,776,380)
	762,029		-				762,029
	89,962		-				89,962
	66,977		-				66,977
	108,815		-				108,815
	165,306		-				165,306
	-		-				-
	1,446,137		-				1,446,137
	61,657		2,587				64,244
	-		-				-
	1,705		-				1,705
	<u>2,702,588</u>		<u>2,587</u>				<u>2,705,175</u>
	(52,024)		(19,181)				(71,205)
	<u>2,305,865</u>		<u>109,713</u>				<u>2,415,578</u>
	<u>2,253,841</u>		<u>90,532</u>				<u>2,344,373</u>

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Debt Service	Capital Projects
Assets and Other Debits			
Cash and pooled investments	\$ 420,853	\$ 6,738	\$ 286,556
Receivables:	-	-	
Property tax:			
Current year delinquent	14,294	1,843	-
Succeeding year	766,788	70,000	-
Income surtax succeeding year	96,600	-	-
Due from other governments	49,653	-	-
Accounts	-	-	68,402
Due from other funds	-	3,487	-
Total assets and other debits	1,348,188	82,068	354,958
Liabilities and Fund Balances			
Liabilities:			
Excess of outstanding warrants over bank balance	-	-	-
Accounts payable	85,779	-	-
Salaries and benefits payable	-	-	-
Due to other fund	129		
Deferred revenue:			
Succeeding year property tax	766,788	70,000	-
Succeeding year income surtax	96,600	-	-
Other	5,481	-	-
Total liabilities	<u>954,777</u>	<u>70,000</u>	<u>-</u>
Fund balances:			
Reserved for:			
Debt service	-	12,068	-
Other	10,527	-	-
Unreserved:			
Undesignated	<u>382,884</u>	<u>-</u>	<u>354,958</u>
Total fund balances	<u>393,411</u>	<u>12,068</u>	<u>354,958</u>
Total liabilities and fund balances	1,348,188	82,068	354,958

See notes to financial statements.

Nonmajor Special Revenue		Total
\$	318,711	\$ 1,032,858
	2,704	18,841
	127,199	963,987
	-	96,600
	-	49,653
	149	68,551
	83	3,570
	448,846	2,234,060
	-	-
	1,788	87,567
	-	-
	3,441	3,570
	127,199	963,987
	-	96,600
	-	5,481
	132,428	1,157,205
	-	12,068
	-	10,527
	316,418	1,054,260
	316,418	1,076,855
	448,846	2,234,060

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total fund balances of governmental funds (pg. 15)	\$ 1,076,855
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,073,507
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,522)
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Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(890,000)</u>
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Net assets of governmental activities (pg. 9)	<u><u>\$ 2,253,840</u></u>
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See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General	Debt Service	Capital Projects
Revenues:			
Local sources:			
Local tax	\$ 805,951	\$ 89,962	\$ 165,306
Tuition	62,831	-	-
Other	91,279	-	-
Intermediate	47,731	-	-
State sources	1,542,551	-	-
Federal sources	169,016	-	-
Total revenues	2,719,359	89,962	165,306
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,139,055	-	-
Special instruction	439,395	-	-
Other instruction	266,240	-	-
	1,844,690	-	-
Support services:			
Student services	141,010	-	-
Instructional staff services	164,459	-	-
Administration services	272,802	-	-
Operation and maintenance of plant services	218,843	-	-
Transportation services	224,136	-	-
	1,021,250	-	-
Other expenditures:			
Facilities acquisition	-	-	-
Long-term debt:			
Principal	-	110,000	-
Interest and fiscal charges	-	43,915	-
AEA flowthrough	96,414	-	-
	96,414	153,915	-
Total expenditures	2,962,354	153,915	-
Excess (deficiency) of revenues over (under) expenditures	(242,995)	(63,953)	165,306
Other financing sources:			
Interfund transfer	-	66,000	(66,000)
Insurance claims	1,705	-	-
Total other financing sources	1,705	66,000	(66,000)
Net change in fund balances	(241,290)	2,047	99,306
Fund balances beginning of year	634,701	10,021	255,652
Fund balances end of year	393,411	12,068	354,958

See notes to financial statements.

Nonmajor Special Revenue	Total
\$ 131,870	\$ 1,193,089
-	62,831
94,331	185,610
-	47,731
-	1,542,551
21,610	190,626
247,811	3,222,438

-	1,139,055
-	439,395
59,090	325,330
59,090	1,903,780

2,876	143,886
-	164,459
14,795	287,597
25,529	244,372
5,346	229,482
48,546	1,069,796

107,220	107,220
-	110,000
-	43,915
-	96,414
107,220	357,549
214,856	3,331,125

32,955	(108,687)
--------	-----------

-	-
-	1,705
-	1,705

32,955	(106,982)
283,463	1,183,837
316,418	1,076,855

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Net change in fund balances - total governmental funds (pg. 18) \$ (106,982)

***Amounts reported for governmental activities in the
statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Sta

Capital outlays	38,478	
Depreciation expense	<u>(94,317)</u>	(55,839)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	110,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as t

797

Change in net assets of governmental activities (pg. 13)	<u><u>\$ (52,024)</u></u>
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See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2007

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 50,733
Accounts receivable	-
Inventories	4,271
Capital assets, net of accumulated depreciation	<u>36,352</u>
Total assets	<u>91,356</u>
Liabilities	
Salaries and benefits payable	-
Deferred revenue	<u>824</u>
Total liabilities	<u>824</u>
Net Assets	
Invested in capital assets, net of related debt	36,352
Unrestricted	<u>54,180</u>
Total net assets	<u><u>\$ 90,532</u></u>

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2007

	<u>School Nutrition</u>
Operating revenues:	
Local sources	
Charges for service	<u>\$ 43,621</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	47,122
Benefits	6,306
Purchased services	7,646
Supplies	74,449
Other	3,120
Depreciation	<u>12,010</u>
Total operating expenses	<u>150,653</u>
Operating loss	<u>(107,032)</u>
Non-operating revenues:	
State sources	1,791
Federal sources	79,641
Local sources	<u>6,419</u>
Total non-operating revenues	<u>87,851</u>
Changes in net assets	(19,181)
Net assets beginning of year	<u>109,713</u>
Net assets end of year	<u><u>\$ 90,532</u></u>

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of meals	\$ 43,332
Cash payments to employees for services	(55,313)
Cash payments to suppliers for goods or services	(80,994)
Net cash used by operating activities	<u>(92,975)</u>
Cash flows from non-capital financing activities:	
State grants received	1,791
Federal grants received	74,149
Other	3,832
Net cash provided by non-capital financing activities	<u>79,772</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,864)</u>
Cash flows from investing activities:	
Interest on investments	<u>2,587</u>
Net decrease in cash and cash equivalents	(12,480)
Cash and cash equivalents at beginning of year	<u>63,213</u>
Cash and cash equivalents at end of year	<u><u>50,733</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(107,032)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Commodities used	5,492
Depreciation	12,010
Decrease in account receivable	298
Increase in inventory	(1,271)
Decrease in salaries & benefits payable	(1,885)
Decrease in deferred revenue	(587)
Net cash used by operating activities	<u><u>\$ (92,975)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received federal commodities valued at \$5,492.

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

(1) Summary of Significant Accounting Policies

Mormon Trail Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Derby, Garden Grove, Humeston and LeRoy, Iowa, and the predominate agricultural territory in Wayne, Decatur, Lucas and Clarke Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mormon Trail Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Mormon Trail Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the accrual basis.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½ % per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$5,000
Buildings	5,000
Improvement other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007 expenditures in the support service functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$547,781

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance beginning of year	Increases	Decreases	Balance end of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 16,220	-	-	16,220
Total capital assets not being depreciated	16,220	-	-	16,220
Capital assets being depreciated:				
Buildings	2,770,260	-	-	2,770,260
Improvements other than buildings	-	-	-	-
Furniture and equipment	800,298	38,478	15,000	823,776
Total capital assets being depreciated	3,570,558	38,478	15,000	3,594,036
Less accumulated depreciation for:				
Buildings	771,941	55,198	-	827,139
Improvements other than buildings	-	-	-	-
Furniture and equipment	685,491	39,119	15,000	709,610
Total accumulated depreciation	1,457,432	94,317	15,000	1,536,749
Total capital assets being depreciated, net	2,113,126	(55,839)	-	2,057,287
Governmental activities capital assets, net	2,129,346	(55,839)	-	2,073,507
Business type activities:				
Furniture and equipment	139,731	1,863		141,594
Less accumulated depreciation	93,232	12,010		105,242
Business type activities capital assets, net	\$ 46,499	(10,147)	-	36,352

Depreciation expense was charged to the following functions:

Instruction:	
Regular	28,067
Support services:	
Operation and maintenance	55,198
Transportation	11,052
Total depreciation expense - governmental activities	\$ 94,317
Business type activities:	
Food service operations	\$ 12,010

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,000,000	-	110,000	890,000	115,000

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Bond Issue of June 1, 1996				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	4.35%	\$ 115,000	39,130	154,130
2009	4.35%	120,000	34,127	154,127
2010	4.35%	120,000	28,908	148,908
2011	4.35%	130,000	23,688	153,688
2012	4.35%	130,000	18,032	148,032
2013	4.45%	135,000	12,378	147,378
2014	4.55%	140,000	6,370	146,370
Total		\$ 890,000	162,633	1,052,633

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement Systems (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$124,982, \$133,137 and \$128,718, respectively, equal to the required contributions for each year.

(6) Risk Management

Mormon Trail Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$96,414 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash financial statements.

Required Supplementary Information

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN BALANCES - BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual
Revenues:		
Local sources	\$ 1,441,530	\$ 50,040
Intermediate sources	47,731	-
State sources	1,542,551	1,791
Federal sources	190,626	79,641
Total revenues	<u>3,222,438</u>	<u>131,472</u>
Expenditures:		
Instruction	1,903,780	-
Support services	1,069,796	-
Non-instructional programs	-	150,653
Other expenditures	357,549	-
Total expenditures	<u>3,331,125</u>	<u>150,653</u>
Excess (deficiency) of revenues over (under) expenditures	(108,687)	(19,181)
Other financing sources	<u>1,705</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(106,982)	(19,181)
Balances beginning of year	<u>1,183,837</u>	<u>109,713</u>
Balances end of year	<u><u>1,076,855</u></u>	<u><u>90,532</u></u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amount Original	Budgeted Amount Final	Variance Favorable (Unfavorable)
\$ 1,491,570	\$ 1,309,878	\$ 1,309,878	\$ 181,692
47,731	48,000	48,000	(269)
1,544,342	1,698,102	1,698,102	(153,760)
270,267	279,000	279,000	(8,733)
3,353,910	3,334,980	3,334,980	18,930
1,903,780	2,053,000	2,053,000	149,220
1,069,796	967,000	967,000	(102,796)
150,653	161,000	161,000	10,347
357,549	345,544	460,000	102,451
3,481,778	3,526,544	3,641,000	159,222
(127,868)	(191,564)	(306,020)	178,152
1,705	-	-	1,705
(126,163)	(191,564)	(306,020)	179,857
1,293,550	1,116,819	1,116,819	176,731
1,167,387	925,255	810,799	356,588

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
Year Ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures by \$114,456.

During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2007

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 22,594	\$ 46,311	\$ 249,806	\$ 318,711
Receivables:				
Property tax:				
Current year delinquent	1,331	-	1,373	2,704
Succeeding year	60,000	-	67,199	127,199
Accounts	-	-	149	149
Due from other funds	83	-	-	83
Total assets	84,008	46,311	318,527	448,846
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	1,788	-	-	1,788
Due to other funds	-	-	3,441	3,441
Deferred revenue:				
Succeeding year property tax	60,000	-	67,199	127,199
Total liabilities	61,788	-	70,640	132,428
Fund equity:				
Fund balances:				
Unreserved, undesignated fund balance	22,220	46,311	247,887	316,418
Total liabilities and fund equity	84,008	46,311	318,527	448,846

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2007

	Management	Student Activity	Physical Plant and Equipment Levy
Revenues:			
Local sources:			
Local tax	\$ 64,893	\$ -	\$ 66,977
Other	4,792	63,579	25,960
State sources	-	-	-
Federal sources	-	-	21,610
Total revenues	69,685	63,579	114,547
Expenditures:			
Current			
Instruction:			
Other instruction	-	59,090	-
Support services:			
Instruction	2,876	-	-
Administrative support	14,795	-	-
Plant operation	25,529	-	-
Student transportation	5,346	-	-
Other expenditures:			
Facilities acquisition	-	-	107,220
Total expenditures	48,546	59,090	107,220
Excess of revenues over expenditures	21,139	4,489	7,327
Fund balance beginning of year	1,081	41,822	240,560
Fund balance end of year	22,220	46,311	247,887

See accompanying independent auditor's report.

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Total	
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\$	131,870
	94,331
	-
	21,610
	<hr/>
	247,811
	<hr/>

59,090

2,876
14,795
25,529
5,346

107,220

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	214,856
<hr/>	
	32,955
	283,463
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	316,418
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MORMON TRAIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2007

Account	Balance Beginning Of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 11,305	\$ 20,269	\$ 18,319	\$ 13,255
Activites Club	3,246	-	354	2,892
Drama/Play	2,735	696	334	3,097
Cheerleaders	617	-	15	602
Flags	8	1,558	944	622
FCCLA	1,488	8,169	9,313	344
FFA	486	-	113	373
Band/Chorus	1,480	-	-	1,480
JR/SR Incentive	6,243	10,783	8,023	9,003
Elementary Activities	5,414	5,422	4,811	6,025
Class of 2006	1,287	11	1,298	-
Class of 2007	1,872	602	2,077	397
Class of 2008	4,112	7,156	8,107	3,161
Class of 2009	1,529	6,071	3,206	4,394
Class of 2010	-	2,842	2,176	666
Totals	41,822	63,579	59,090	46,311

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 1,193,089	\$ 1,241,798	\$ 1,242,170	\$ 1,151,258
Tuition	62,831	70,019	50,896	58,020
Other	185,610	184,842	146,636	137,231
Intermediate sources	47,731	26,421	68,382	92,639
State sources	1,542,551	1,464,411	1,533,905	1,332,111
Federal sources	190,626	172,366	160,886	152,784
Total	3,222,438	3,159,857	3,202,875	2,924,043
Expenditures:				
Instruction:				
Regular instruction	1,139,055	1,105,545	1,150,088	1,138,634
Special instruction	439,395	389,476	460,637	401,718
Other instruction	325,330	360,899	174,357	234,833
Support services:				
Student services	143,886	141,933	146,071	134,518
Instructional staff services	164,459	113,490	58,777	71,798
Administration services	287,597	252,910	280,664	339,907
Operation and maintenance of plant services	244,372	235,696	212,266	254,451
Transportation services	229,482	248,492	179,478	167,915
Central support	-	-	-	-
Non-instructional programs	-	-	653	-
Other expenditures:				
Facilities acquisition	107,220	-	2,260	-
Long-term debt:				
Principal	110,000	105,000	100,000	85,000
Interest and other charges	43,915	48,482	52,783	74,724
AEA flowthrough	96,414	92,955	94,462	89,860
Total	3,331,125	3,094,878	2,912,496	2,993,358

See accompanying independent auditor's report.

Stephanie Mendenhall CPA, P.C.
217 Broad Street
P.O. Box 220
Humeston, Iowa 50123
641/877-6021

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Mormon Trail Community School District:

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and issued my report thereon dated September 20, 2007, I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mormon Trail Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Mormon Trail Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Mormon Trail Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect Mormon Trail Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Mormon Trail Community School District's financial statements that is more than inconsequential will not be prevented or detected by Mormon Trail Community School District's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Mormon Trail Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mormon Trail Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mormon Trail Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit Mormon Trail Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mormon Trail Community School District and other parties to whom Mormon Trail Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Mormon Trail Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable since less than \$500,000 in federal awards.

Other Findings Related to Statutory Reporting:

IV-A-07 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

IV-B-07 Certified Budget – Expenditures for the year ended June 30, 2007, exceeded the amended certified budget amounts in the support services functions.

Recommendation- The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

IV-C-07 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-E-07 Business Transactions – No business transactions were noted between the District and District officials or employees.
- IV-F-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-07 Board Minutes – I noted no transactions requiring Board approval which had not been approved by the Board.
- IV-H-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-07 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-07 Certified Annual Report – The Certified Annual Report will be filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.